Vol. XI, No. 40 HUMAN EVENTS October 6, 1954

"SOAK THE OILLIONAIRES?"

By FRANK CHODOROV

SOME MEN DRILL for oil and pay out a lot of money for the privilege and strike dry holes. That's their hard luck. Others find the elusive oil in the bowels of the earth, sell it and wax extremely wealthy. That's not "right." Why? Simply because it is sinful for some people to have what we all covet.

The more articulate coveters — the editorial and professorial pundits — are currently crusading against the winners in the game of oil, even as their forebears went after the successful of their times. In the nineteenth century, anybody who had more worldly goods than anybody else was called a robber baron; so, envy now attaches to fortunate oil prospectors a name likewise intended to arouse hatred — oillionaires.

Let it be understood, however, that an oillionaire is not just anybody who has profited in the oil business, like the widow who draws dividends from an investment in it, or the farmer who reaps a harvest of rent or royalties from oil prospectors. Rather he is the fellow whose wealth is irritatingly evident; like the one who endows a college where do-gooders are spawned, or the one who ostentatiously buys a railroad with his profits, or one who simply engages in conspicuous spending. The most offensive oillionaire is, of course, he who spends some of his money in an effort to show up the covetousness in do-goodism.

The crusade of the pundits is now directed at a fiscal device known as "depletion allowance." When the government, egged on by do-gooders, began raiding the accumulations of producers by means of the income tax, it discovered that taking too much might discourage production. In that case there would be little to tax.

SO THE GOVERNMENT provided special treatment in the tax law so that the entrepreneurs might retain a part of their earnings and thus have some reason for taking risks in business. It was particularly solicitous about the production of oil, not because it had any special love for the promoters, but because oil is most essential to the military affairs of the government. Under no circumstances should there be a letup in drilling. So a deduction for depletion was provided.

The depletion allowance permits the oil operator to deduct 27.5 per cent from his gross income before figuring his income tax — with the additional proviso that such may not exceed 50 per cent of his net income before figuring depletion. The best an unsuccessful prospector can expect from the government is permission to write off his drill-

Copyright 1954 by HUMAN EVENTS, INC.
Published weekly at 1835 K Street, N.W., Washington 6, D. C.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing losses before paying taxes on income, if he has any (which he usually doesn't). But, if he strikes oil, this depletion allowance can be enough to offset the misadventure losses. Maybe the successful prospector is a different person from the unsuccessful one. That doesn't matter in the overall picture. The depletion allowance is the magnet that attracts capital to the risky business of finding oil. Because of it, American capital has ventured far and wide for oil deposits, the supply of this precious fuel has kept pace with the demand for it — and a few men have become oillionaires.

The covetous do-gooders now propose to do away with the oil men's depletion allowance. It is not right, they maintain, that this "unearned" wealth be put beyond the reach of the tax collector. Besides, in the hands of the oillionaire it serves no "social need."

TAKING UP the "earning" argument, the question that suggests itself is: does the tax collector earn it? When we speak of earning, we mean a getting of a return for services rendered. The very name "tax collector" indicates that in his case the rendering of services is not contemplated; he takes what others produce, and whether he renders service or not is a matter of debate.

The government, which is the composite tax collector, is by its nature a non-producer; it is by definition a coercive instrument and is under no obligation (since it is sovereign) to make any return for what it takes. It does not earn its income, as does the oillionaire, who gets nothing until he provides the oil that people want and are willing to pay for. The oillionaire is rich simply because he has many customers; if they went without, he would be poor. On the other hand, the income of the United States Treasury bears no relation to any production of goods and services. Its title to taxes rests on compulsion only. Therefore, the tax collector, or the government, earns nothing.

To which the do-gooder retorts that the *value* of the oil is a "socially produced" value, something that "all of us" make by consumption; therefore, they hold, "all of us" have a clear title to that *value*. This argument identifies "all of us" with the tax collector — an identification that none of us accepts at tax-return time. Somehow, each of us, as he figures his tax bill, has a feeling that he is being robbed. However, on this question of value, it is true that when I buy a tank full of gasoline I do influence the price of oil. This is simply the "law of supply and demand" working.

But the fact is that when I acquired title to that oil I acquired a value that I prize more highly than the money I gave up — the convenience of riding in my automobile. I got a profit. Whether the oillionaire got a profit or not *is not* my concern. So it is with every trade; the seller gives up what he wants less to acquire possession of what he wants more, and so does the buyer. And once the exchange is made, provided no swindling has occurred, there are no left-over claims. The oillionaire cannot claim a right to ride in my automobile, and I have no claim to any cash profit he may have made.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

BUT THE ARGUMENT of the do-gooder rests not so much on the question of title as on the doctrine of "social need." (Long ago the question of title was settled by the do-gooder, at least in his own mind, by denying that anybody has a clear title to anything; the tax collector, by virtue of his power to take, has a righteous claim on everything produced.) The rock on which the case against the depletion allowance stands is that this wealth in the hands of the earner is wasted, while — if the tax collector got hold of it — a "social need" would be served. This apparently high-minded argument has always served as moral coverage for the very common and ancient sin of covetousness. Let's look at it.

What is a "social need?" Right now, I need a cigar; my wife needs a dress; the do-gooders need a job in the bureaucracy. These three needs have nothing in common, unless you say that their common denominator is human desire. Indeed, when you look at the millions of gadgets on the market and the thousands of services offered in the advertising columns, you would be hard put to it to name just one need that fits the "common" or "social" label. Each of us is a bundle of variable desires, and none of us is quite sure of what he will want at any given time. To find something that all of us will always want, with the same intensity of desire, is a job for a supernatural mind. Should you press the do-gooder to single out a "social need," you will find that it consists of something we all *ought* to want, whether we want it or not; and when you analyze his selection, you will find that it amounts to nothing more than a job for a meddlesome bureaucrat.

What happens to the allowance for depletion that the oillionaire is allowed to keep without being taxed thereon? Not that it is anybody's business, but the concern of the do-gooder with everybody's money compels us to follow the thought through. Perhaps it will be found that this wicked person puts his wealth to uses from which all of us profit. Assuming that he does not hide it under his mattress, he must either consume or invest his returns.

If he consumes it, say even in champagne, he sets in motion a productive machine that includes the bottle works of America and the vineyards of France, and out of this machine flow the wages by which many people satisfy their wants. The drunker he gets, the worse for him, but the better for these producers. On the other hand, if he invests the tax savings from his depletion allowance in a toothpick factory, he not only provides job opportunities for lumberjacks and others, but he also gives comfort to those who have acquired the uncouth habit of picking their teeth. Who loses anything by his "unsocial" use of the depletion allowance?

LET US CONSIDER what would happen to the depletion allowance if it fell into the hands of the tax collector. He is also a consumer, as witness the cocktail parties he frequents, and in that capacity he stimulates the economy even as the wasteful oil-

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lionaire does. The difference between the two consumers, however, is considerable; the one produces oil before he consumes anything, while the tax collector is in no need of replacing his consumption with an equivalent. If consumption alone were the cause of an active economy, then the spendthrift thief would be as valuable as the worker, and a healthy society would be one consisting only of thieves. That, of course, is nonsense, because something must be produced before it is stolen. That is also true of tax-collecting.

How about the tax collector's investing the depletion allowance in industry? In the first place, why should he? He has no interest in producing goods and services that people want, with the attendant risk of guessing wrong. Since his income is in no way related to the satisfaction of customers, he is under no compulsion to so apply himself. In the second place, his occupation unfits him for productive enterprise, and he is entirely out of character if he tries it. He is trained to collect, by force, what other people produce, and to spend it in ways that will be conducive to his staying in power. He has no need for competence as a servicer. That is why he comes up with a loss whenever he tries his hand at business — as witness the Post Office or the TVA.

Common sense and logic both bear witness to the fact that a dollar in the hands of the producer and earner is grist to the general economy, and may therefore be said to render a "social service." On the other hand, every dollar the tax-collector gets hold of is non-productive. The best he can do for society with the money he takes from it is to provide police protection, which is a negative service; the traffic cop is certainly a useful citizen, but he adds nothing to the general fund of wealth. It follows that the fewer dollars the tax collector gets, whether from oillionaires or bricklayers, the better off both are.

In spite of the obvious, however, the do-gooders have been able, throughout the ages, to win an appreciative and considerable audience. Why? Simply because I resent your Cadillac passing my jalopy on the road; the passing gives me an inferiority complex.

Something should be done about it. Call the cop. Somehow I feel that, with the aid of his club, I can evict you from the Cadillac and get myself into it; and the feeling becomes a conviction when I read the economics textbook written by the do-gooder. He supports my covetousness with long words.

But the historic fact is that it is the cop who gets into the Cadillac, while the rightful owner and I have to get along with jalopies and, eventually, with ox-carts.

Mr. Chodorov is editor of the monthly *Freeman,* Irvington-On-Hudson, New York. In the current October issue of that magazine, Karl Hess further illuminates the problems of the petroleum industry with a review of a recent book, *The Growth of Integrated Oil Companies,* by John G. McLean and Robert Wm. Haigh, professors in the Harvard Business School.

Additional Copies: 6—1.00; 10—1.50; 50—5.50; 100—10.00; 500—15.00; 1,000—25.00. Quotations for larger quantities on request.

Subscription rates are as follows: 3 months trial subscription, $3.00; 6 months subscription, $5.50; one year subscription, $10.00.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

HUMAN EVENTS

FRANK C. HANIGHEN, *Editor* *Contributing Editors:* FRANK CHODOROV, WILLIS J. BALLINGER

Vol. XI, No. 40 Wednesday, October 6, 1954 Washington, D. C.

Behind The London Treaty: Top of the news this week is the applause for the "success" of the conference in London last weekend, approving sovereignty for West Germany and its admission to NATO. Bottom of the news — submerged by the cant of metropolitan paper editorial writers — is the real victory: European nationalism won its fight over internationalism. If this is realized, American nationalism may follow suit, and a new "declaration of independence" could result.

The outcome, reliable observers here say, does not alter the scales of military power in Europe. The notion that the new pact really bolsters Western defense to any substantial extent — as is being said — does not hold water so far. Soviet Russia still has air supremacy and ground force superiority over Western Europe; its armies could sweep to the channel without much difficulty. NATO is a frail cover of protection. Anyway, European leaders think that Soviet Russia will not move westward in the foreseeable future.

The revealing point about the eleventh-hour agreement to rearm Germany, give it sovereignty, etc. was the decision to replace the now dead international EDC with an alliance system (NATO) between national states. For, the revolt of France was basically a nationalist rebellion against the "merged" non-national army projected by EDC which would be under a supra-national authority. French generals, who had no objection to German rearmament, balked at this feature. And the Communists in France had fed the fire of French nationalism to defeat EDC.

Washington observers, who perceive what really happened, believe that the atmosphere will consequently prove healthier as "free world" states deal with each other on the basis of their national sovereignties rather than through international organizations such as EDC or the UN. And America certainly would do better by negotiating bilateral agreements with any allies, real or imaginary, than through complicated international, multilateral pacts. To that extent, the London decision offers promise of proving a "success."

Political Talk: From within the White House, we learn that finally the Eisenhower entourage recognizes the danger that the GOP will lose both Houses of Congress on November 2. Decline of GOP strength in farm areas is reported and has led to demands that Ezra Benson be ousted immediately. But there's little sign that a general reversal of strategy is under way. Best opinion is that neither Benson nor Secretary of the Army Stevens will leave until after election. Dr. Milton Eisenhower increasingly assumes the role of unofficial adviser on strategy, even now, and it is recalled that he has been behind most of the "liberal" program that has caused many GOP conservatives to revolt.

● Politicos are beginning to question the famed Eisenhower popularity. "If you can't deliver the votes," they ask, "what is the good of such popularity?" The GOP reverse in Maine has caused a rapid descent in Ike's prestige. Politicians recall that Roosevelt's popularity led to landslides for his party. They recall also that Ike did not win a popular landslide in '52, taking only 55 per cent of the popular vote. Roosevelt, Coolidge, Harding and Hoover registered far more than that percentage.

● John B. Crane in his column from Germany entitled "Europe Day by Day" reports an interview he had with Carlo Schmidt, outstanding leader of the German socialist party. "What brought you

Published weekly at 1835 K Street, N.W., Washington 6, D. C.
Copyright 1954 by HUMAN EVENTS, INC.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to Chicago last March?" Crane asked Schmidt. "I went there for several days to confer with labor leaders and Senator Paul Douglas." Crane asked: "What do you think of Douglas? Do you consider him a socialist?" The German socialist replied: "Most definitely. But he is, of course, not a German socialist. He is an American socialist." Schmidt then told Crane he had attended a small, private meeting at which Douglas spoke and was tremendously impressed by what the Senator said. Schmidt declared he would have made the speech himself, if he had been given the opportunity.

McCarthy: We may exclusively report that a nucleus of support for Senator McCarthy in his forthcoming defense against the Watkins censure recommendation is being formed preparatory to the special session to be called November 8. Some of the Senators favorable to McCarthy were able to confer at the time of the funeral of Sen. McCarran last weekend. Anyway, at least a dozen have reportedly signified intention of working together. Among them are said to be Dirksen, Welker, Mundt, Goldwater, Malone, Jenner, Bricker and several other prominent Republicans who presently prefer not to reveal their names, in view of election situations. Two Democrats are said to be part of this group, and there is much speculation in Senate corridors here as to who they are.

It is not so improbable as it sounds to expect that some Democrats, once the election is over, may look at the censure resolution from a less political viewpoint. According to a story around town, one of the Democrats on the Watkins Committee was chided by a colleague on the unsoundness of his approval of that group's recommendations for censure. He reportedly answered: "Well, we Democrats figured that, if the Republicans insisted on doing themselves injury just before election, it was our duty as Democrats to help them along as much as possible."

Not Merely Gossip: Why Republicans are confused these days—. Anna Rosenberg, former War Manpower Administrator under the Truman regime, is boomed for the Democratic congressional candidacy in the 22nd New York Congressional District, by the *New York Post*, left-of-center daily. Mrs. Rosenberg is a close friend of General Walter Bedell Smith, Ike's close friend and his Undersecretary of State during the past two years. We are informed that Mrs. Rosenberg communicated weekly by phone with General Smith in the State Department during this period.

● Former Ambassador Joseph P. Kennedy returned from a European trip on September 28 and told reporters that Senator McCarthy is not contributing to anti-Americanism in Europe. "What is commonly called anti-Americanism over there is certainly not due to Senator McCarthy" said Kennedy. "It is due to lack of confidence in American diplomatic leadership under both the Republican and Democratic Administrations." Kennedy said this to reporters, but the only paper in which we saw it was *The New Bedford* [Mass.] *Standard-Times*, September 28.

● The new international atomic energy plan proposed by the U.S. is in the UN mill. It took the UN correspondent of the *Montreal Star* (September 29) to notice one extraordinary by-product of the scheme — "Russian, and presumably Communist, students," he reported would attend "an atomic reactor school in the United States. Such a school is part of the scheme as envisaged now."

● The Abraham Lincoln National Republican Club of Chicago on September 30 launched a nation-wide campaign to find out who promoted Major Irving Peress, by putting up $100 as a reward to anyone who can produce authentic information as to what person or persons were responsible for the promotion. The Club believes the public is entitled to know the answer to the question which started a chain of events such as the McCarthy-Army hearings, and the Watkins Censure Committee.

U.S. Air Power: Our defense contacts report that the nation's present air force strength is only about *one half* of what is needed for an effective offense and defense against Russia, should all-out war come.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Worse still is the little known fact that in *two years* our present rate of military aircraft production will be cut fifty per cent.

In contrast — we are advised — Russia is building air power at a rapid rate and in two years we will have lost our advantage in long-range bombers. Russia is particularly concentrating on intercontinental bombers that can make a round trip from Russia to the U.S. without refueling. We have three types of intercontinental bombers — the B-36, the B-52, and the B-47. We have on hand a few hundred B-36's but are not going to build any more because of their lack of speed. The B-52, which is far superior to the B-36 and probably better than anything Russia possesses, is scarcely beyond the exhibition stage and no extensive production of it is yet under way. B-47's require refueling in the air to do an intercontinental job, but we have too few even of these. Compared with Russia's intercontinental bomber efforts we will be numerically behind in two years.

This dangerous state of our air power is frequently glossed over by reference to the number of planes we are turning out annually. One hears, for example, that we launched some 12,000 aircraft last year and will do the same this year. Consequently, the citizen takes it for granted that all is well on the air front. He doesn't realize the deception that lies behind such a figure. General Bonner Fellers points out that of the 12,000 planes turned out in '53 some 2,400 were given away to our Allies. The Army, Navy and Marines got 4,400 — but these were principally transport, observational, trainer or tactical aircraft for the defense of Army and Navy operations. The Air Force received only 5,200 planes, half of which were non-combat. Since — says Fellers — the operational and combat losses of 2,600 are about 1,100 annually, our basic air power (that part which would have the critical job of offense and defense against Russia) was increased by only 1,500 planes in 1953 out of a total production of 12,000 planes.

General Van Fleet: The blunt testimony of General James Van Fleet before the Senate Internal Security Committee adds a lot more fuel to the widespread belief that our military in Korea was deliberately prevented from winning the war. The former field Commander of our forces in Korea also revealed that misjudgment in top Pentagon brass was a grave contributing factor. Van Fleet testified: Generals Omar Bradley and Lawton Collins shared in the responsibility "for one of the greatest errors this country has ever made in sizing up enemy intentions." This error was that Russia would strike in Europe and not in Asia. Bradley and Collins opposed the deployment of American strength in the far Pacific and therefore helped in shaping the erroneous estimate. Asked by Chairman Jenner what would have happened

---

STATEMENT OF THE OWNERSHIP, management and circulation, required by the Act of Congress of August 24, 1912, as amended by the Acts of March 3, 1933 and July 2, 1946.

Published weekly at Washington, D. C., for October 1, 1954.

1. The names and addresses of the publisher, editor and business manager are:
   Editor.....Frank C. Hanighen, 4414 Q Street, N.W., Waashington, D. C.
   Publisher.....Frank C. Hanighen, 4414 Q Street, N.W., Washington, D. C.
   Business Manager.....Emily H. Glaze, 1901 K Street, N.W., Washington 6, D. C.

2. The owner is:
   OWNER — HUMAN EVENTS, INC., 1835 K Street, N.W., Washington 6, D. C.
   Stockholders owning or holding 1 per cent or more of the total amount of stock:
   Frank C. Hanighen.....4414 Q Street, N.W., Washington, D. C.
   Marquette Charitable Organization.....22nd and Jefferson Street, Chicago 16, Ill.
   Henry Regnery.....20 West Jackson Blvd., Chicago 4, Ill.
   Carreau and Company.....63 Wall Street, New York 5, N. Y.

3. The known bondholders, mortgagees and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: NONE.

4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

5. *The average number of copies of each issue of this publicatoin sold or distributed through the mails or otherwise, to paid subscribers during the 12 months* preceding the date shown above was: 9063.

FRANK C. HANIGHEN, Editor

Sworn to and subscribed before me this 29th day of September, 1954.

WILLIAM S. JONES,
Notary Public, District of Columbia.
Term expires August 31, 1959.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to a field commander who made a comparable error in "estimating enemy intentions," Van Fleet promptly replied that such a commander "would have been relieved of his command, of course".

Asked whether we could have won the war in Korea, he answered "certainly." According to Van Fleet, someone (referred to as "they") told the Chinese Reds that the United States would not attack their home bases if Reds invaded Korea — and this vital information was what induced the Chinese Reds to get into the war. Van Fleet ventured a guess that the Reds got this information through an "embassy source" in Peiping.

As We Expected: In August we pointed out that Secretary Dulles had approved visas admitting clerics from Europe who have collaborated one hundred per cent with the Kremlin, to attend a meeting of the World Council of Churches at Evanston. We knew that these ministers had been hand-picked by the Kremlin (otherwise they would not have been allowed to come from behind the Iron Curtain) and that many of them had employed their spiritual office to defend Russian policies in the world — and that some had even charged that our troops in Korea had engaged in germ warfare.

We knew that the ministerial delegation from behind the Iron Curtain was here for only one purpose — to contaminate the Christian churches of the free world. Now we have expert corroboration on this point from Dr. Carl McIntire, President of the International Council of Christian Churches. He lists what the Communist clergy "did and gained in the World Council of Churches" at Evanston in August:

(1) The Communist clergy increased their strength on the powerful Central Committee which directs the affairs of the Council between assemblies. Prior to the Evanston meeting, the Committee included two Communist-dominated ministers. At Evanston two more were added. According to the testimony of refugees, one of the latter had been a member and official of the Communist party. When the other was chosen, the Polish Embassy in Washington released a statement by this minister praising the Communist government and reporting the official resolution of his church defending the Communists in their charges against the West.

(2) Re-election of Professor Joseph L. Hromadka, recognized as one of the principal Protestant defenders of Communism, to the Central Committee was a smashing victory for Communism.

(3) The Communist clergy secured recognition of Communist-controlled churches on an equal level with non-Communist churches. Their presence in Evanston "established . . . that churches dominated by Communists may, if they come in the name of Christ, receive the right hand of fellowship."

(4) The Communist-controlled ministers at Evanston have "betrayed the true Christian Church and been responsible for the persecution and suffering of true Christians in their lands," says McIntire. But when charges were made against them in the press and representatives of the Czech government-in-exile gathered in protest outside of the hall, "public apology was made to these Iron Curtain men before all the Assembly of the Council by the Archbishop of Canterbury."

(5) The Assembly actually held by resolution that these Iron Curtain ministers "in supporting the Communist order, were loyal to Christ."

(6) The Communist clergy were successful in preventing passage of resolutions warning of the infiltration of Communists into churches in the free world and of the program of the Communist party to use the Church outside of Iron Curtain countries for its advantage. Evanston was silent on this theme.

Entered as second class matter at the Post Office, Washington, D. C. Quotation up to a paragraph is permitted with credit to HUMAN EVENTS. For reproduction or more extensive quotation address requests to HUMAN EVENTS, 1835 K Street, N.W., Washington 6, D. C. Trial Subscription, three months for $3. Six months, $5.50. One year, $10. Two years, $18. First class mail, one year, $11.00; six months, $6.00. Domestic airmail (including APO and FPO) one year, $12.00; foreign (regular mail) one year, $11. Foreign airmail rates on request. Please remit in U.S.A. DOLLARS. Allow two weeks for new subscription or change of address to become effective.

PRODUCED BY UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED